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AUTHOR Jefferson, Anne L.
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ABSTRACT

A comparison of how American and Canadian universities receive and spend funds using data from fiscal year 1991-92 explored the link between general economic conditions and the financial health of universities. The analysis found that with respect to revenue patterns, Canadian universities receive their funds mainly from provincial governments (57.9 percent) while American universities are financed primarily from tuition and fees (25.7 percent on average), though public American universities are supported by 38.3 percent by the state with 17.1 percent of funds coming from tuition and fees. With respect to expenditure patterns, at both American and Canadian universities salaries and benefits are the greatest expenditure items though Canadian universities spend more than twice (65.6 percent) what American universities spend (30.7 percent) in this category. The analysis concludes that the current crisis in funding for public universities may mean that public universities will come to more closely resemble private institutions in operating with a diverse resource base. Further, public universities have been more subject to the whims of economic market forces. Without a diverse funding base, they are open to consequences of market force changes in their more singular resource base. (JB)

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Universities' Income and Expenditure Patterns (1991-92)
Canada v. United States

Anne L. Jefferson, Ph.D.
Professor
University of Ottawa

Back on the agenda is the topic of the university of the future. The status quo is no longer acceptable. At the same time, Kehm (1995) notes that this preoccupation with costs and short-term profits has resulted in debates which lack visions of the future.

One can sympathize with Kehm and many others of like mind. Market forces and intellectual pursuits make a turbulent marriage. On the other hand, "it seems likely that there is a link between general economic conditions and the financial health of universities, as the latter is dependent to a considerable degree upon public revenue and personal disposable income" (Skolnik and Rowen, 1984, 14).

This linkage is the new reality. Universities, especially public universities, gain little by deciding to "emphasize the diversity of learning processes", as suggested by van Ravens (1995, 81), if the financial crisis prevents individuals from seeking admission. Furthermore, the prior decision is dependent on the way universities receive their funds.

For this reason, the ways universities receive and spend funds

is explored. The fiscal year 1991-92 is used, the decision based on availability of data. Universities in Canada and the United States are compared. Canadian universities are public; whereas, American universities are either public or private. This range of type of institution provides us with a rich comparative data base.

Based on Figure 1, comparative revenues patterns are noted below. Figure 2 serves to illustrate comparative expenditures patterns between universities in the two countries.

Revenue Patterns

- * Canadian universities receive their funds mainly from provincial governments (57.9%). Student fees are the second source of funds (13.1%). Other sources include the federal government (8.9%), sale of services (8.0%), and bequests (7.2%).
- * American universities, on average, are financed primarily from tuition and fees (25.7%). The proportion of state government is only 25.1%, which is much less than the equivalent provincial government support in Canada. Sale of services is the third main revenue source (23.3%). Other sources include federal government (12.3%) and private grants/endowment (7.7%).
- * Separating American universities into public and private institutions we see further differences. Public institutions, as expected, have a more predominate state government presence. This increased presence appears to offset tuition

and fee charges. Public institutions are supported 38.3% by the state with 17.1% of funds coming from tuition and fees. Private institutions receive only 2.5% of their revenue from the state and 40.7% of revenue from tuition and fees.

- * The noticeably low state support of American private universities is not continued at the federal level. 15.3% of the revenue received by private universities comes from the federal government. American public institutions, in comparison, receive federal funding to 10.6% of their total revenue.

Expenditure Patterns

- * Salaries and benefits is the greatest expenditure item for Canadian and American universities. Canadian universities spending (65.6%) a little more than twice the American universities (30.7%).
- * Comparing the expenditures in public and private American universities, it is interesting to note that the proportions of academic expenditure and externally contracted services in public institutions are higher in public universities. The proportion of general expenditure and scholarship/professional fees is higher in private universities.
- * In the expenditure of cost of goods sold, there is an obvious difference between Canadian and American universities. Canada is only 2.7%, but the United States is 19.9%. The other proportions of expenditures are similar.

Concluding Comments

Funding of public universities is at a crisis stage. It probably will mean that public universities will more closely resemble their private counterparts. This is not necessarily bad. As one source states: "One of the main advantages of plural funding is that it recognises the multiple functions and activities of a higher education system. No single set of priorities is dominant and no single criterion determines the level of resources available."

Private universities, more so than public universities, have operated with a diverse resource base. This has not meant that these universities are profit-making enterprises and the public universities are traditional intellectual institutions. What it has meant is both markets, economic and intellectual, have had to find a balance. Public universities, in many ways, have been and presently are more open to the whims of the economic market forces. Without the more diverse funding base, they are open to being the recipient of whatever decision their more singular resource base makes in response to the economic market forces.

The relatively high presence of government in the financial support of public universities in both Canada and the United States is likely to decrease. Politicians, for whatever reasons, are apparently less favourably disposed to large grants to universities. In Canada, for example, there are rumours that the federal government would like to remove its presence entirely.

Provincial governments are not showing any inclination to make-up any shortfall; instead, they have indicated upcoming cuts in the range of 20 per cent. How this shifting revenue base will impact on the observed expenditures patterns of universities no one can speak with certainty.

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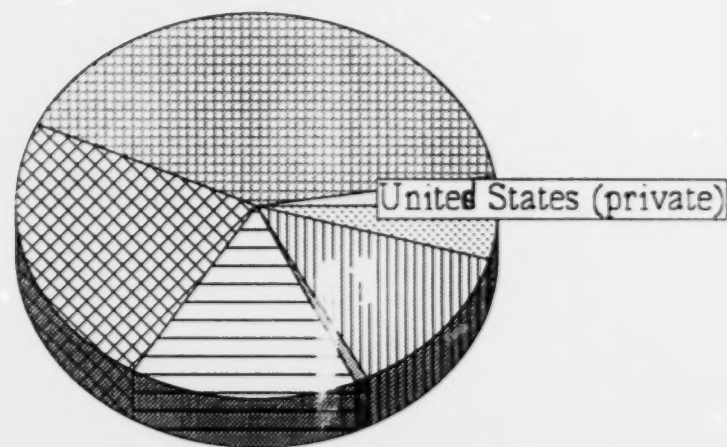
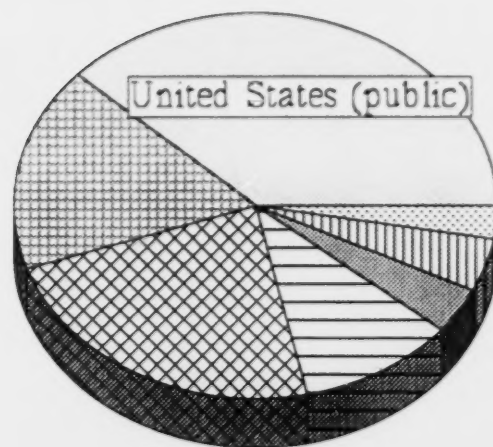
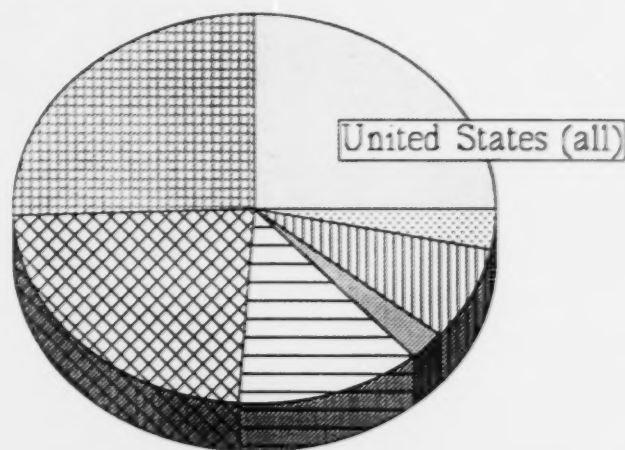
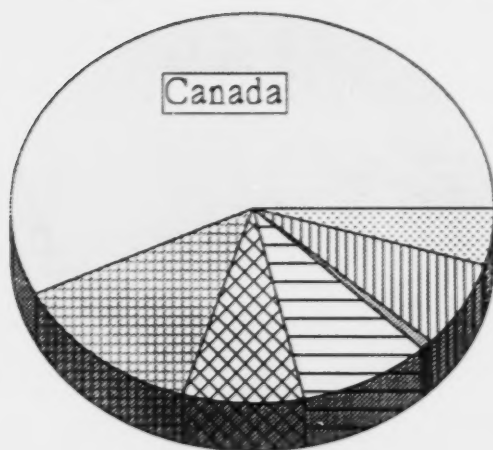
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FIGURE 1

HIGHER EDUCATION INCOME RESOURCES IN CANADA AND UNITES STATES (1991-92)



☐ Provincial/State governments
☐ Federal government
☐ Others

☐ Tuition and Fees
☐ Municipal/Local and other governments

☐ Sale of services
☐ Bequests, donation and non-gov. grants

FIGURE 2
HIGHER EDUCATION EXPENDITURES
IN CANADA AND UNITED STATES (1991-92)

